

**BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2016-390-C**

**In re:**

**PETITION OF UNITED TELEPHONE  
COMPANY OF THE CAROLINAS LLC  
D/B/A CENTURYLINK, FRONTIER  
COMMUNICATIONS OF THE  
CAROLINAS, INC., LEAD PETITIONERS  
AND DEX MEDIA, INC.,  
FOR FULL OR PARTIAL WAIVER FROM  
DIRECTORY REQUIREMENTS OF  
SCCR § 103-631**

**CERTIFICATE OF SERVICE**

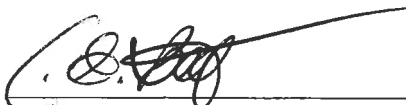
This is to certify that I, Carl E. Bell, a Paralegal with the Terreni Law Firm, LLC, have this day Efiled with Public Service Commission of South Carolina and caused to be served upon the person(s) named below by sending a copy of the enclosed DIRECT STATEMENT OF DEX MEDIA, INC., via Electronic Mail at the following addresses:

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Dated at Columbia, South Carolina this 26<sup>st</sup> day of April 2017.

  
\_\_\_\_\_  
Carl E. Bell

c: Nanette Edwards, Esquire  
Brooks Harlow, Esquire

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PETITION OF UNITED TELEPHONE COMPANY	)	
OF THE CAROLINAS LLC D/B/A CENTURYLINK,	)	
FRONTIER COMMUNICATIONS OF THE	)	
CAROLINAS, INC., LEAD PETITIONERS	)	
	)	
AND DEX MEDIA, INC.,	)	DIRECT STATEMENT OF
	)	DEX MEDIA, INC.
For Full or Partial Waiver from Directory	)	
Requirements of SCCR § 103-631	)	

**BACKGROUND AND INTRODUCTION**

On November 21, 2016, United Telephone Company of the Carolinas LLC d/b/a CenturyLink (“CenturyLink”), Frontier Communications of the Carolinas, Inc. (“Frontier”) and Dex Media, Inc. (“Dex Media”) filed the joint petition in this docket (“Petition”) seeking a waiver of S.C. Code Reg. § 103-631 (“Rule”), which requires telecommunications utilities to “publish” and “distribute” to all customers a directory at “regular” intervals. The Petition was largely granted by the Commission’s Order Granting Waiver to Publish a Telephone Directory, Order 2017-50, issued on February 16, 2017 (“Order”). Thereafter, pursuant to the Order, the Commission issued a Notice of Workshop in this Docket, on February 28, 2017 (“Notice”).

The Notice stated that the Commission intends to “discuss the means by which the segment of the population that does not have a computer, or ready access to a computer, or that want a paper directory, can best be served going forward as directories become more digitized”

with interested parties. Dex Media files this direct statement pursuant to the Notice and looks forward to participating in the scheduled workshop to assist the Commission in planning further policy initiatives to modernize directory regulations in light of external changes affecting the telecommunications and directory markets.

## **DISCUSSION**

### **A. Consumer and Market Trends in Voice and Broadband.**

As detailed in the Petition, the Commission had observed in a recent proceeding on wireless competition that in 2008 nearly 80% of adults lived in a household with a landline phone, but that by 2014 that number had dropped below 53%.<sup>1</sup> By 2016, less than 48% of adults lived in a household with a landline phone. Further, adults living in wireless-only households rose from 18.4% in 2008 to 49.3% in 2016.<sup>2</sup> And in a similar period, South Carolinians' subscription to voice service provided by ILECs declined from 1.8 million<sup>3</sup> to just 933 thousand<sup>4</sup> at the end of 2015, while subscribership to mobile voice increased from 3.5 million<sup>5</sup> to 4.7 million.<sup>6</sup>

The trend from wired to wireless is not limited to voice communications, but is also ongoing in the broadband data communications markets, as the table below from the Pew

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<sup>1</sup> See Order issued on January 26, 2016 in Docket No. 2015-290-C at p. 26.

<sup>2</sup> Wireless substitution: Early release of estimates from the National Health Interview Survey, January–June 2016, at 2, National Center for Health Statistics (Dec. 2016) (“CDC”). Available from: <https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201612.pdf>.

<sup>3</sup> Table 13, [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-299052A1.pdf](https://apps.fcc.gov/edocs_public/attachmatch/DOC-299052A1.pdf).

<sup>4</sup> SC Subscriptions, Reference 5, <https://www.fcc.gov/file/11770/download>.

<sup>5</sup> Table 17, [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-299052A1.pdf](https://apps.fcc.gov/edocs_public/attachmatch/DOC-299052A1.pdf).

<sup>6</sup> SC Subscriptions, Reference 1, <https://www.fcc.gov/file/3657/download>.

Research Center graphically illustrates<sup>7</sup>:

### Several groups are shifting their home internet connectivity away from broadband and toward smartphones

% of each group who have ...

	Broadband at home			Smartphone, but no broadband at home		
	2013	2015	CHANGE	2013	2015	CHANGE
All adults	70%	67%	-3%	8%	13%	+5%
African Americans	62	54	-8	10	19	+9
Rural residents	60	55	-5	9	15	+6
Household income < \$20K	46	41	-5	13	21	+8
\$20K-\$50K	67	63	-4	10	16	+6
\$50K-\$75K	85	80	-5	5	10	+5
Parents	77	73	-4	10	17	+7
High school degree or less	50	47	-3	11	18	+7

Source: Pew Research Center surveys

PEW RESEARCH CENTER

Note that the trend to wireless only broadband is most pronounced for low income and minority households. And low income households are not only more likely to access the Internet wirelessly, they are also less likely to have any broadband Internet access at all. Estimates are that about 62% of households with incomes under \$20,000 have wired or wireless broadband (or both), compared to 80% for all households, and 96% for high-income households.<sup>8</sup> And, consistent with the demographic data, 43% of those surveyed who lacked broadband connections cited cost as the most important reason.<sup>9</sup>

<sup>7</sup> Pew Research Center, December 21, 2015, "Home Broadband 2015", at 2.

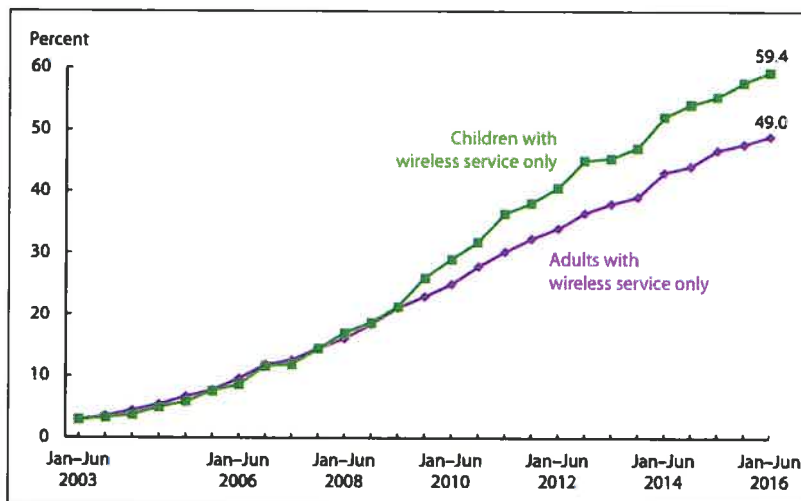
Available at: <http://www.pewinternet.org/files/2015/12/Broadband-adoption-full.pdf>.

<sup>8</sup> *Id.*, at 31-32.

<sup>9</sup> *Id.* at 4.

The “cord-cutting” demographic trends in broadband noted above track the cord-cutting trends for voice communications, as the CDC has been reporting for many years.<sup>10</sup> The latest CDC survey shows that adults living in poverty (63.1%) were more likely than higher income adults (48.2%) to be living in households with only wireless telephones.<sup>11</sup> Hispanic (63.7%) and African American (49.2%) adults were more likely than non-Hispanic white (45.0%) adults to be living in households with only wireless telephones.<sup>12</sup> And nationally, the cord cutting trends continue unabated, as the latest CDC graph<sup>13</sup> shows:

**Figure. Percentages of adults and children living in households with only wireless telephone service: United States, 2003–2016**



NOTE: Adults are aged 18 and over; children are under age 18.  
DATA SOURCE: NCHS, National Health Interview Survey.

<sup>10</sup> The cord-cutting trends have rendered residential white pages particularly incomplete, because wireless numbers are typically not included. As a consequence, Dex Media and other directory publishers began transitioning the residential white pages to digital with print upon request over half a dozen years ago. The request rates for residential white pages in those markets is now nearly always less than one half of one percent (0.5%).

<sup>11</sup> Blumberg SJ, Luke JV. Wireless substitution: Early release of estimates from the National Health Interview Survey, January–June 2016. National Center for Health Statistics. December 2016. Available from <https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201612.pdf> at 6, Table 2.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 1.

Cord cutting is also more prevalent for younger adults than older, though older adults are also increasing their transition to wireless.<sup>14</sup> And although cord cutting in South Carolina is slightly less prevalent than nationally, the trend is closely tracked here as well. The latest CDC state-level estimates show that 52% of adults in South Carolina are in wireless-only households.<sup>15</sup>

**B. Implication of Voice and Broadband Trends for Directories.**

As this Commission recognized in its recent Order granting the Petition, the increased availability of directory information from the Internet and other sources, coupled with the shift from wired to wireless voice and broadband services “is having an impact on traditional printed directories.” Order at 3, ¶ 4. Thus, the Commission has allowed Dex Media, as official publisher for CenturyLink and Frontier, to begin transitioning their customers from print directories to digital products. Specifically, Dex Media will not be required to automatically deliver print directories to all ILEC customers automatically, known as “saturation delivery.” Instead, delivery will be targeted to customers who are likely to use them.

Because Dex Media’s business goals are to get print directories to all ILEC customers who want them, the Petition proposed a condition that where print deliveries are curtailed, any customers who did not receive a print directory automatically can request one free of charge by simply calling a toll-free number. This “print upon request” condition aligns the business interest with the public interest very well. A sizeable portion of the population still wants print directories and Dex Media wants to continue to make print available to customers who want and

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<sup>14</sup> *Id.* at 6, Table 2.

<sup>15</sup> Wireless Substitution: State-Level Estimates from the National Health Interview Survey, 2015. National Center for Health Statistics at 1, Table 1. Available at [https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless\\_state\\_201608.pdf](https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless_state_201608.pdf).

use them, whether they have Internet access or not. The proposed condition and others were adopted in the Order.

In a further effort to protect customers, the Order provided that the print upon request condition will not “sunset” automatically. Petitioners will have to return at some date in the future if the demand for printed directories drops so low that advertisers will no longer provide sufficient revenues to Dex Media to support any print product at all. Again, Dex Media’s business goal is to try to avoid this situation for as long as possible. But even with the conditional waiver, the current directory regulatory status may nevertheless be a stopgap. Perhaps recognizing that advertisers may not support print or print upon request indefinitely, the Commission requested comments and scheduled the upcoming workshop to address, on a longer term basis, how to meet the directory needs of those who cannot afford or do not wish to adopt Internet access.

**C. Any Further Regulatory Action Regarding Directories Should Continue to Relax Regulations in the Face of Industry and Market Trends.**

At this time, the Commission has relaxed its directory regulation by permitting CenturyLink and Frontier to meet the regulation digitally, with the condition that print be provided to customers upon request. As their directory publisher, Dex Media hopes that this compromise will work indefinitely. In terms of the topic of the workshop, the ability to request print literally puts a solution at the fingertips of all ILEC customers who still want or need a print directory, whether because they lack Internet access or for any other reason. They simply dial “1-800-2GET-DEX” and a print directory is sent to them. The curtailment of saturation delivery with print upon request has now been implemented in about 37 of the 42 states and hundreds of markets that Dex Media serves with no problems and essentially no complaints. The same will

occur soon in South Carolina. As the state gains experience with the new paradigm, it will likely also gain the confidence to further deregulate, such as with an eventual sunset of any print mandate.

Finally, as the market trends from wireline to wireless, fewer connections are subject to the Commission's regulatory jurisdiction, as the statistics and trends discussed above illustrate. Just as Dex Media needs adapt to the changing markets, the Commission needs to continue to do what it reasonably can to protect the public interest, while recognizing the realities caused by inexorable market trends. The decrease in regulated ILEC telephone lines is well known. However, the data also show the beginnings of an across the board decrease in fixed home broadband service, and a corresponding increase in internet smart phone service.<sup>16</sup> In other words, most cord cutters have Internet access on their wireless phones. All of these wireless phone users are outside the scope of the Commission's jurisdiction.

On the other end of the scale, higher income non-adopters, are more likely to be ILEC customers. But their numbers are exceedingly small and getting smaller by the day. And across the board, higher income households have a very high rate of Internet adoption and usage, both using fixed landline and wireless services. Thus, the public policy challenge will be deciding for how long—and at what cost to society as a whole—regulations should shelter people who have the means, but lack the will, to adapt to close to universal technological advances.

At some point a number of years ago, the wireless carriers finally turned off the analog cellular networks, even though a small number of customers had refused to transition to digital.

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<sup>16</sup> To some extent rural access to fixed Internet is less robust than urban, but because of this reason, Dex Media's demand for directories and advertising revenues both tend to be holding up better in rural areas. In other words, the market is working, without the need for regulatory intervention.



And the broadcasters turned off analog television signals. A few legacy TV screens turned to static. Dex Media has business reasons to maintain print as long as possible. But when the advertisers will no longer support print, should the government try to perpetuate it artificially? Who will pay for it? Again, by then the public likely will have long been ready to fully embrace digital directories.

### **CONCLUSION**

For the foregoing reasons, and the facts presented by Dex Media earlier in this docket, no immediate action is needed. Those few ILEC customers who lack Internet access can still get a printed directory upon request at no cost and no charge. If the Commission takes any further action as a result of this comment cycle and workshop, it may wish to consider repealing its directory rules, either immediately or with a sunset schedule that gives consumers time to adapt and transition to digital.

Respectfully submitted this 26th day of April, 2017.

**Charles L.A.  
Terreni**

Digitally signed by Charles L.A. Terreni  
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